

## Message Text

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 EB-03 INT-01 COME-00 CIAE-00

INR-11 NSAE-00 RSC-01 NSC-07 NSCE-00 OPIC-02 TRSE-00

CIEP-01 OMB-01 SP-02 DRC-01 /055 W

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R 061930Z SEP 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 1406

INFO AMEMBASSY PORT AU PRINCE

AMCONSUL PARAMARIBO

AMEMBASSY KINGSTON

C O N F I D E N T I A L SANTO DOMINGO 3671

LIMDIS

E.O. 11652: GDS

TAGS: EMIN, EFIN, EIND, DR

SUBJECT: STATUS OF ALCOA NEGOTIATIONS

REF : SD 3494

1. ALCOA REP HUGHSON RETURNED FROM QUICK CONSULTATION WITH ALCOA HQ AND INFORMED AMBASSADOR THAT CHAIRMAN JOHN HARPER IS RELUCTANT TO MOVE TOWARD DEFINITIVE NEGOTIATED SETTLEMENT WITH GODR UNTIL TALKS CURRENTLY UNDERWAY IN SURINAM CLARIFY. HUGHSON REPORTED THAT HE DID OBTAIN FLEXIBILITY ON TERMS OF RETROACTIVITY OF ANY NEW CONTRACT AND THAT ALCOA WAS PREPARED TO FINANCE A BAUXITE EXPLORATION STUDY. THE STICKING POINT REMAINS THAT OF INCREASED INCOME TO GODR.

2. AS REPORTED REFTTEL, PRESIDENT BALAGUER HAS TAKEN DIRECT PERSONAL INTEREST IN ALCOA NEGOTIATIONS. IN ADDITION TO DESIRING TO SEE ALCOA'S CALCULATION DEMONSTRATING THAT ITS LAST OFFER SIGNIFIED DOUBLING OF GODR INCOME, HUGHSON NOW INFORMS THAT PRESIDENT ALSO ASKED HUGHSON TO ASCERTAIN HOW MUCH MORE ALCOA PREPARED TO GIVE. AFTER LENGTHY DISCUSSION  
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WITH AMBASSADOR DURING WHICH AMBASSADOR AGREED WITH HUGHSON

THAT IT WOULD BE FOLLY TO BE LESS THAN CANDID WITH THE PRESIDENT, HUGHSON IS SEEKING APPOINTMENT WITH THE PRESIDENT TO (A) PROVIDE HIM WITH DATA DEMONSTRATING DOUBLING OF GODR INCOME; (B) INFORM HIM THAT ALCOA PREPARED TO GO BEYOND LATEST OFFER BUT IS UNABLE TO BE PRECISE AS TO AMOUNT BECAUSE THE SITUATION IS UNCLEAR IN SURINAM AND THAT AT MOST TWO MONTHS REQUIRED TO CLARIFY SURINAM TALKS; (C) REQUEST HIS PATIENCE AND UNDERSTANDING FOR AN UP TO TWO MONTHS DELAY BEFORE DELINEATING ALCOA'S IMPROVED OFFER; AND (D) INFORM HIM THAT ALCOA PREPARED TO EXPEND UP TO 1.5 MILLION OVER NEXT TWO YEARS IN EXPLORATION FOR POSSIBLE NEW BAUXITE RESERVES, UTILIZING A COMBINATION OF ALCOA AND DOMINICAN GEOLGOISTS, IF GODR SO DESIRED.

3. REGARDING FLEXIBILITY IN RETROACTIVITY OF ANY NEW CONTRACT, ALCOA'S LAST OFFER INCLUDED A PROVISION THAT IRRESPECTIVE OF THE DATE OF SIGNING A NEW AGREEMENT IT WOULD BE EFFECTIVE JULY 1, 1974. HUGHSON NOW EMPOWERED TO MAKE THE EFFECTIVE DATE AS EARLY AS JUANUARY 1, 1974, IF NECESSARY. HUGHSON THOUGHT IT BEST TO HOLD THIS BAR-GAINING CHIP IN RESERVE UNTIL PRESIDENT, WHO IS SHREWD BARGAINER, RAISED QUESTION OF RETROACTIVITY. AMBASSADOR SUGGESTED TO HUGHSON THAT HE CONSIDER PROPOSING A FORMULA TO BALAGUER (SHOULD SUBJECT ARISE) THAT FOR EVERY MONTH ALCOA DELAYS IN MAKING A NEW OFFER, THE EFFECTIVE DATE OF THE CONTRACT BE ONE MONTH EARLIER, TO DEMONSTRATE ALCOA'S GOOD FAITH IN ARRIVING AT AN EARLY CONTRACT. HUGHSON IS PONDERING THAT ONE.

4. COMMENT: WE ARE NOT CERTAIN THAT JOHN HARPER IS CORRECT IN HIS TIMING STRATEGY, ALTHOUGH WE ARE, OF COURSE, IN NO POSITION TO SECOND GUESS HIM. IT WOULD SEEM TO US THAT ALCOA WOULD BE WELL-ADVISED TO SIGN A NEW CONTRACT HERE LESS THAN THE JAMAICAN FORMULA (AS THE GODR SEEMS INCLINED TO DO) BEFORE THE MEETING OF BAUXITE PRODUCING COUNTRIES WHICH WE UNDERSTAND IS TO OCCUR DURING OCTOBER. FROM OUR VANTAGE POINT, IT WOULD APPEAR THAT HAVING A NEW AGREEMENT IN EXISTENCE WITH PROVISIONS LESS THAN THE JAMICA FORMULA COULD HELP ALCOA IN ITS SURINAM NEGOTIATIONS. FURTHER, THERE IS THE RISK THAT THE BAUXITE PRODUCERS' MEETING MAY RESULT IN A SOLID FRONT SUPPORTING THE JAMAICAN FORMULA, AN OUTCOME THAT WOULD PREJUDICE NEGOTIATIONS HERE AND WE PRESUME IN SURINAM AS WELL. WE UNDERSTAND FROM HUGHSON THAT HARPER'S POSITION IS THAT TO REACH AGREEMENT IN THE DOMREP NOW ON FAIRLY LIBERAL TERMS WOULD PREJUDICE NEOGITATIONS IN SURINAM FOR IT WOULD ALLOW SURINAM TO CLAIM EVEN MORE AS A LARGER PRODUCER THAN THE DOMREP. OUR UNDERSTANDING IS, HOWEVER, THAT ALCOA HAS ARGUED IN THE DOMINICAN CASE VS. JAMAICA THAT EACH COUNTRY SHOULD ARRIVE AT AN AGREEMENT BASED UPON THE INTRINSIC MERITS OF THE RESPECTIVE CASES.

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WE CONTINUE TO FIND THIS LAST THE MORE PERSUASIVE ARGUMENT  
AND WOULD THINK THAT IT COULD BE APPLIED WITH EQUAL FORCE IN  
SURINAM. IN SHORT, THE ADVANTAGES OF MOVING BRISKLY AHEAD  
HERE WOULD FOR THE REASONS STATED ABOVE SEEM TO OUTWEIGH  
THE DISADVANTAGES.

5. RECOMMENDATION: THE DEPT MAY WISH TO CONSIDER DISCUSSING  
OUR VIEWS WITH HARPER.  
HURWITCH

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BAUXITE, DISPUTE SETTLEMENT, MINING INDUSTRY, NEGOTIATIONS, GOVERNMENT REVENUES, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 SEP 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** shawdg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** LIMDIS  
**Reference:** SD 3494  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17 SEP 2002 by boyleja>; APPROVED <26 FEB 2003 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** STATUS OF ALCOA NEGOTIATIONS  
**TAGS:** EMIN, EFIN, EIND, DR, ALCOA, (HARPER, JOHN), (HUGHSON)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005